

The Politics of Fuels (Energy)

*or how I learned to stop being
frustrated and started laughing*

by

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A little review...

“Gold Rushes” of recent times

- 1. Recycling*
- 2. Dot com*
- 3. Enron*
- 4. WorldCom*
- 5. Wall Street—subprime loans*

News Flash

*Today's rush for a solution to the
"Energy Crisis" is absolutely no
different*

***BTW, I prefer not to call it a
crisis, but by its real name:***

***The Fuels' Earth Day
Premium***

There are five *political* matters you need to watch:

- I. Adjectives*
- II. Science*
- III. Personal motivations*
- IV. Follow the money*
- V. Wrong motivations*

I. When we say “fuel” or “energy” we assume the following adjectives are in play:

1. *Clean*
2. *Environmentally friendly (whatever this means)*
3. *Safe (whatever this means)*
4. *Cheap*
5. *Portable*
6. *Here (available where we want it, when we want it)*

Also, we are resistant to change
the way we live our lives:

*Quickest way to the solve the
“energy crisis”...*

*Eliminate office buildings and
attendance at sporting
events.*

II. Science—watch for alchemy!

- 1. Conservation of energy*
- 2. Mass balance*
- 3. Thermal/Corrosion Dichotomy*

Particularly confusing to this old farm boy is VPP (Value Prior to Pulping)

I have been around a lot of pulp mills and have never noticed anything lying around that we are not using already.

III. Personal motivations

1. *Shocking, shocking, but there are those that envision statues erected in their honor for solving the “energy crisis”!*
2. *Pay me lots of money and I will solve the problem—trust me!*
3. *There are also those that never want to answer the question (solve the problem) because then they will have to find something else to do.*

IV. Follow the money...

1. *Developers that want fees but no risks.*
2. *Developers that want equity but put up nothing.*
3. *Outsized fees --\$100 million raised, 3% “development fee” upfront. \$3 million is real money!*
4. *Question to ask any developer/promoter/bloviator: “How have you earned your income over the last twenty years and (a) can you prove you have taken risks & (b) can you prove you have made significant returns for your employers and/or investors?”*

IV. Follow the money...

5. Subsidies and government funding are suspect:

Items developed without subsidies:

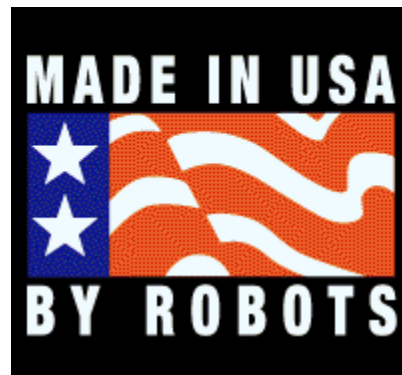
*light bulb, motion pictures, phonograph, distribution
systems for electricity....*

Items subsidized forever:

agriculture, railroads, automobiles (highways)....

V. Wrong motivations...

- 1. Saving old assets*
- 2. Saving jobs*



Review:

- I. Adjectives*
- II. Science*
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In other words:

One must obey the rules of:

Science

Economics

Speaking of Economics...

*So far, I have been talking about
micro-economics.*

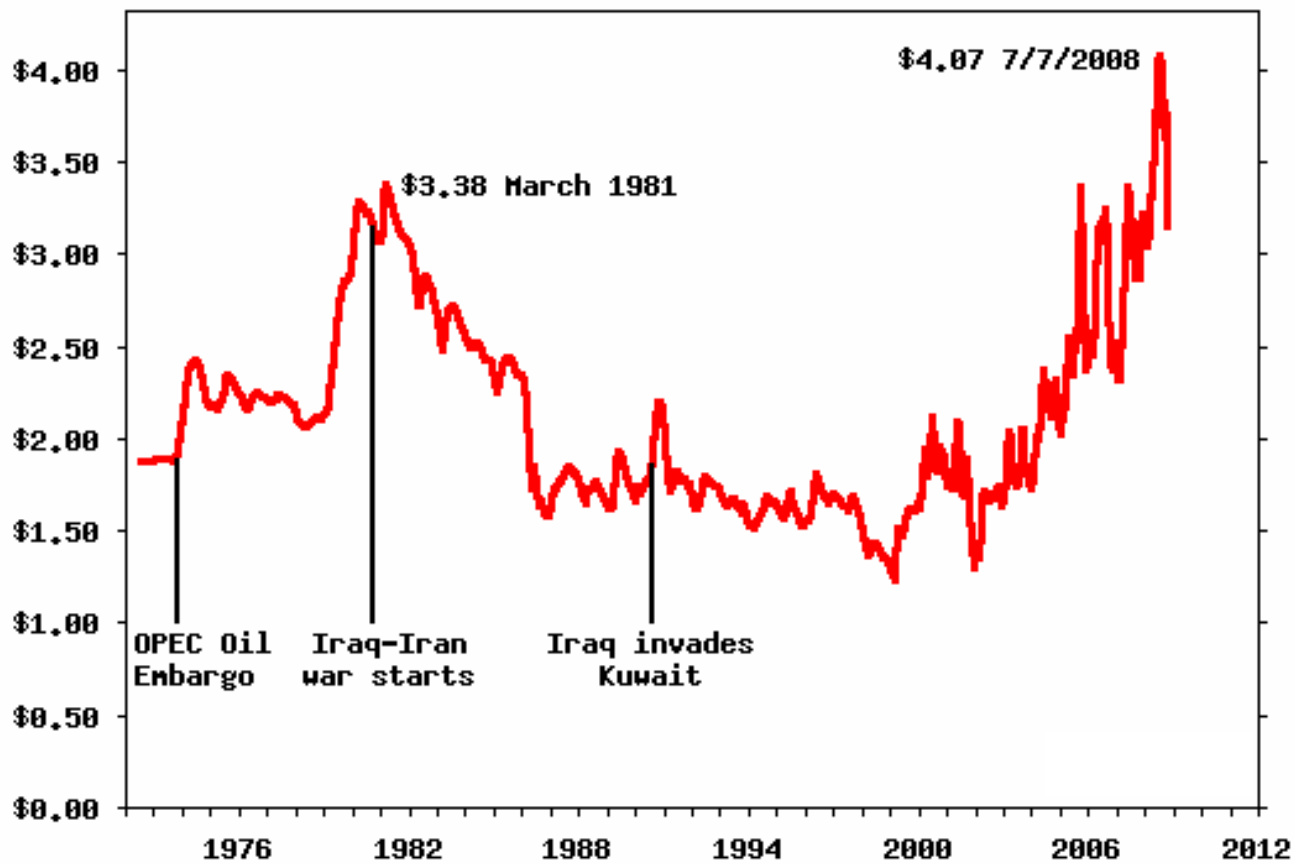
What about macro?

How have macro-economics affected political outcomes in past energy crises?

How about Jimmy Carter's shale oil project?

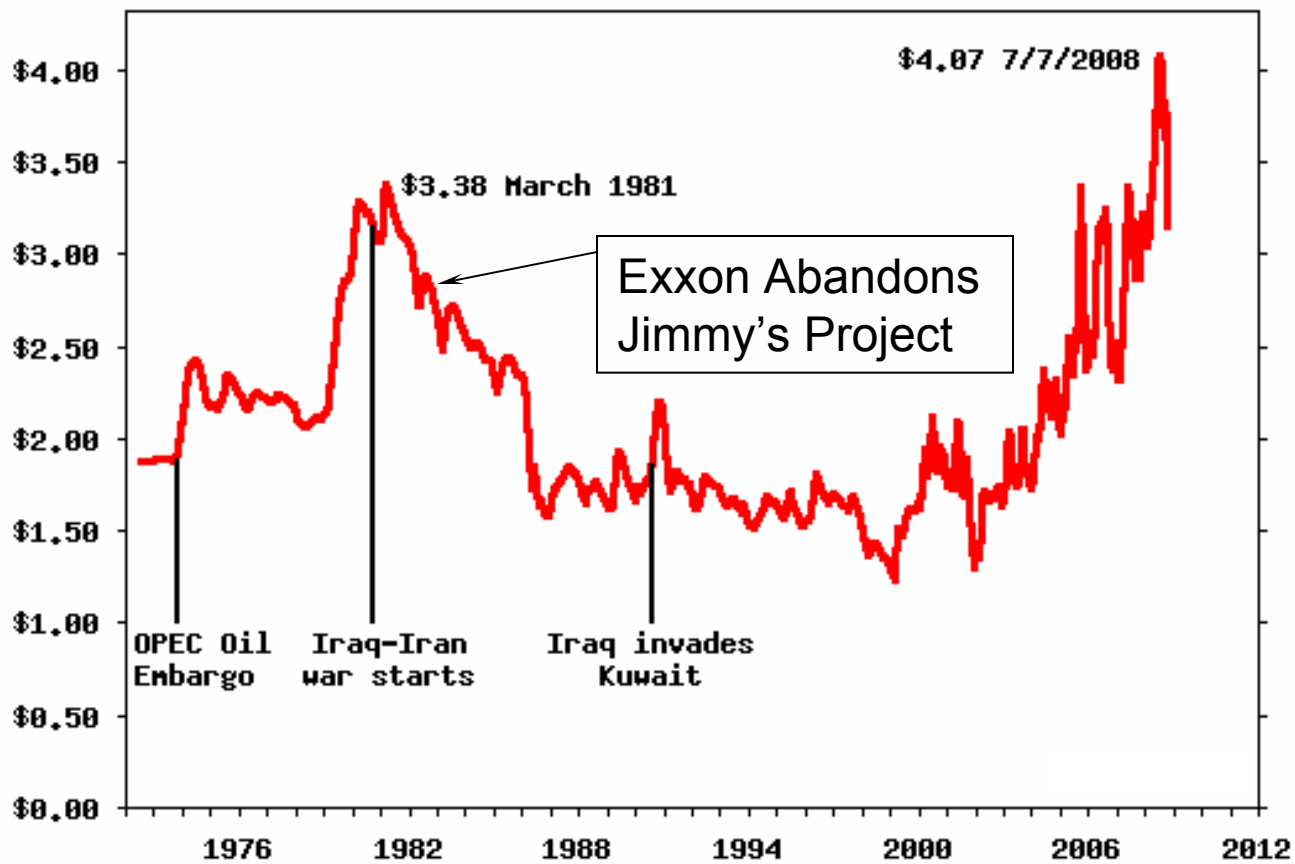
Exxon pulled out on 2 May 1982

Regular Gasoline Price in Today's Dollars (10/13/2008)



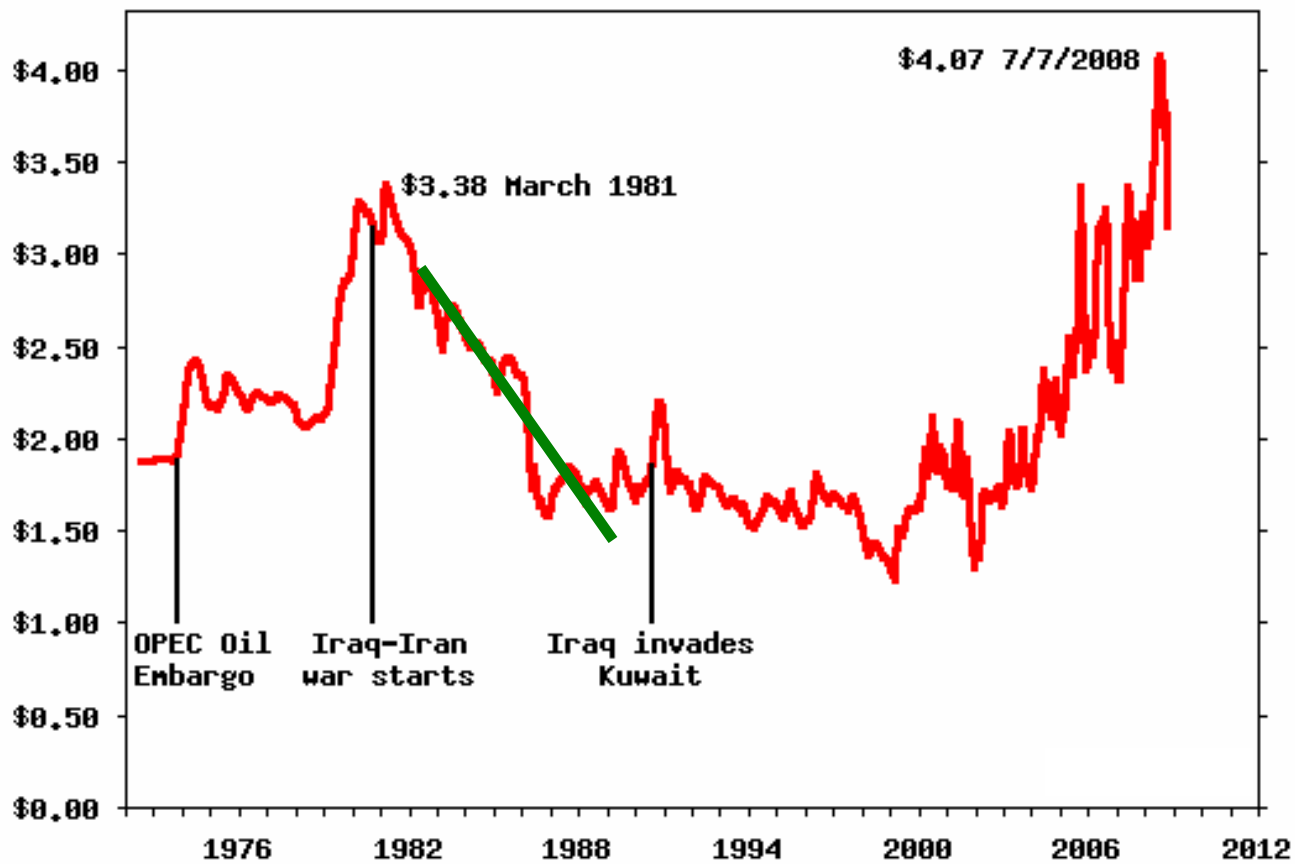
Source: Department of Energy

Regular Gasoline Price in Today's Dollars (10/13/2008)



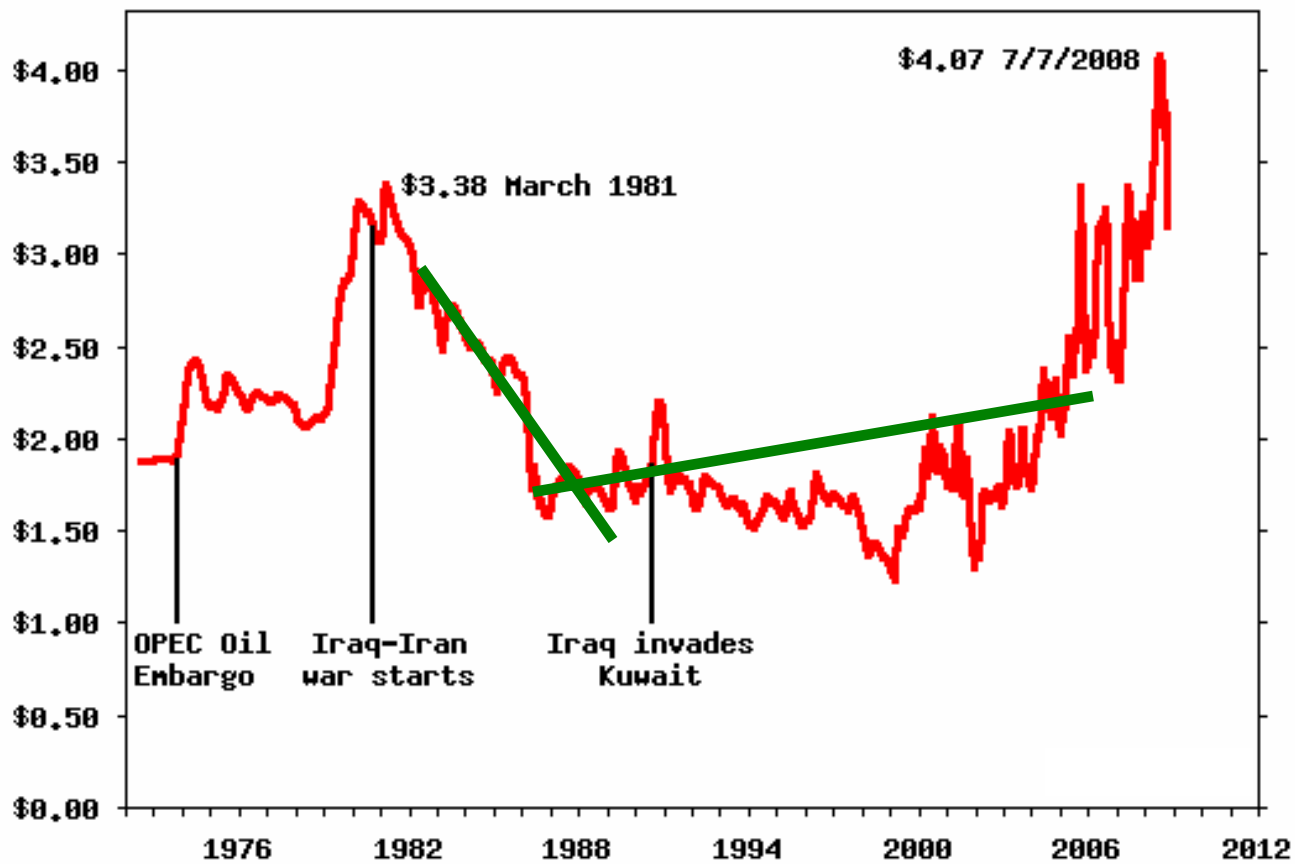
Source: Department of Energy

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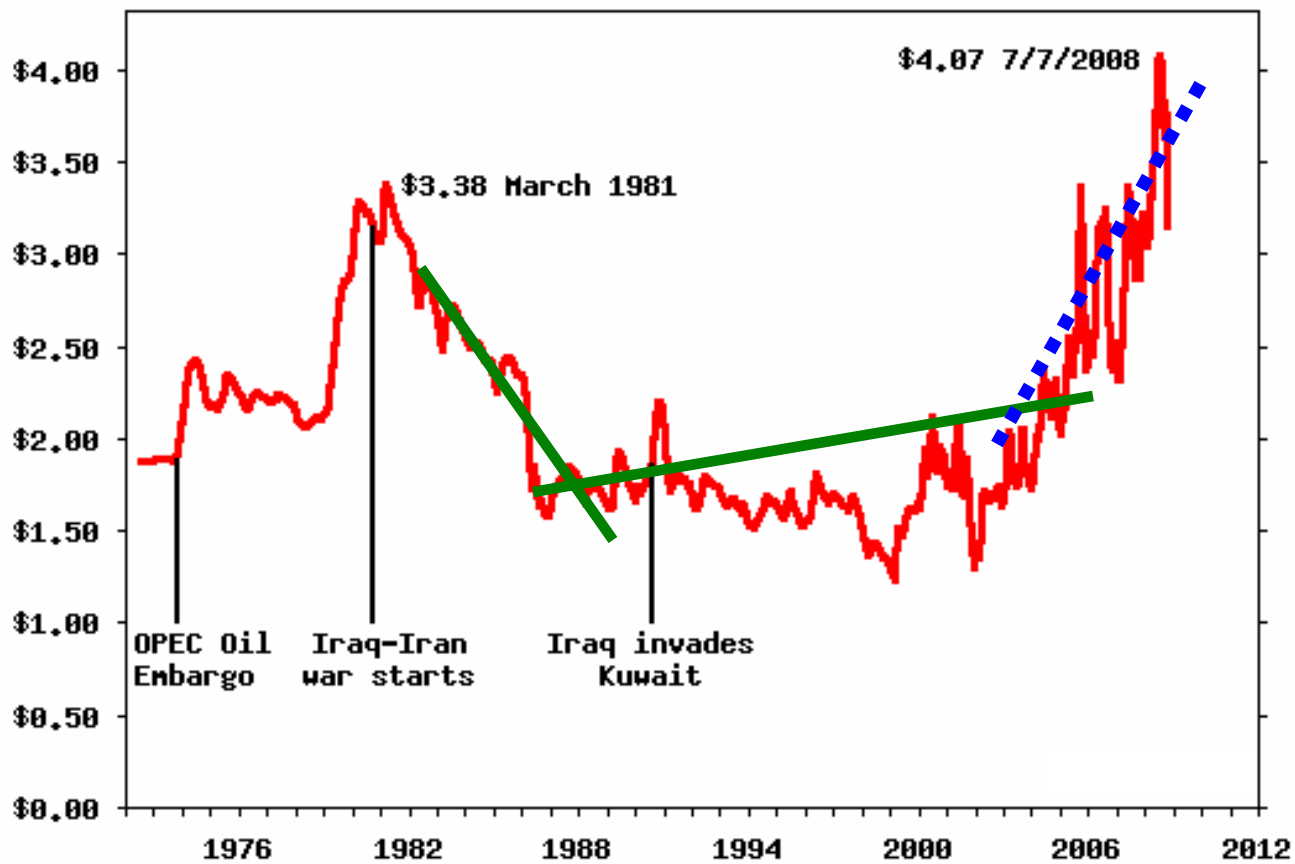
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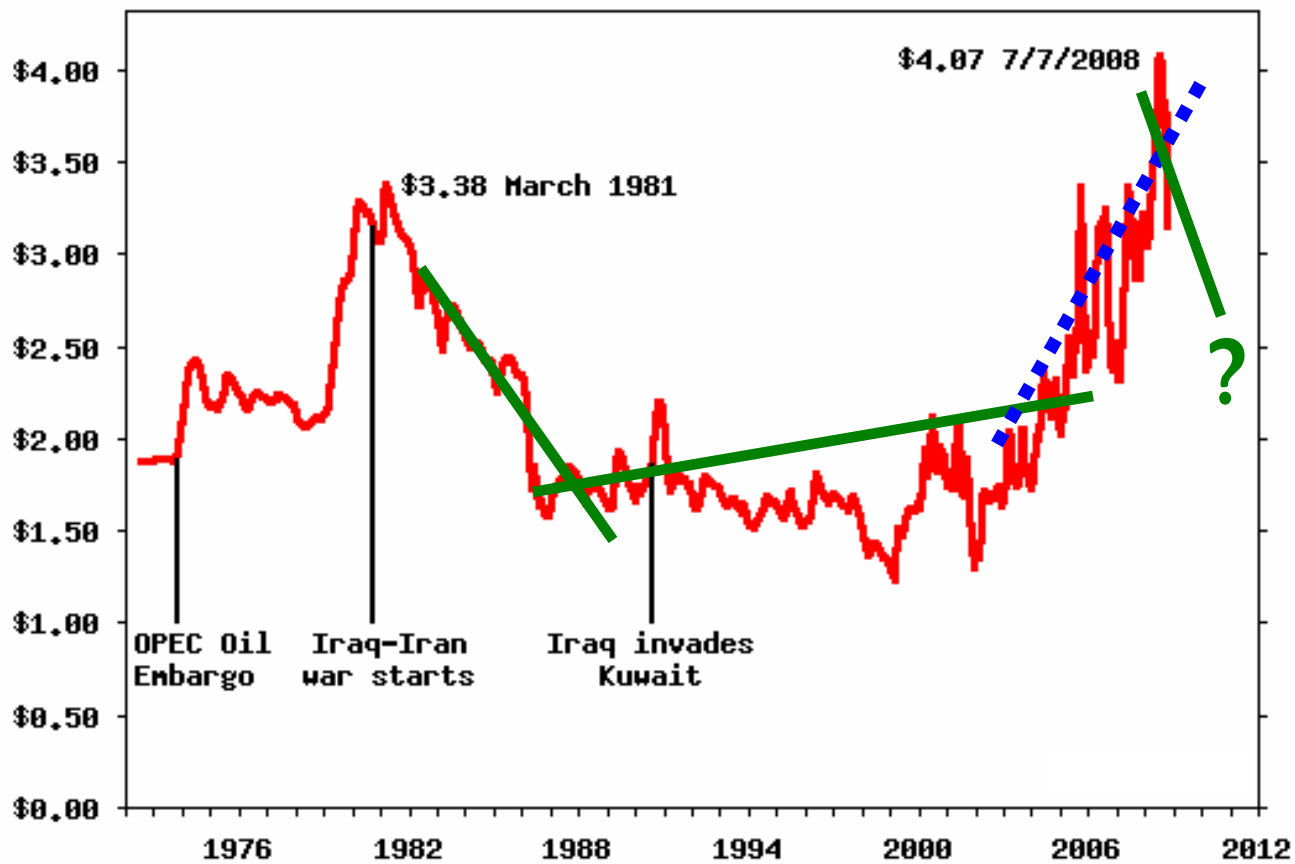
Source: Department of Energy

Regular Gasoline Price in Today's Dollars (10/13/2008)



Source: Department of Energy

Regular Gasoline Price in Today's Dollars (10/13/2008)



Source: Department of Energy

*It always comes down to return
on investment.*

*Boone Pickens is the only
one that is talking
about national security.*

In fact, until Katrina, OPEC had the discipline to keep oil prices low enough to create complacency.

The US response to previous energy crises:

1973: 55 mph speed limit (1973 – 1995) Touted as reducing consumption by 2.2%; independent studies said reduction was less than ½ of 1%

The US response to previous energy crises:

1973: Even/Odd days of filling one's auto.

Year 'round daylight savings time.

The US response to previous energy crises:

1973: Push for solar, wind, drilling at home, coal, nuclear

Sound familiar?

The US response to previous energy crises:

1979: Wear a sweater, lower the thermostat, shale oil will save us!

The US response to old energy crises:

1942 - 1945: National Speed limit set at 35 MPH; Rationing cards for fuel and tires.

The US response to old energy crises:

The Crisis that never happened:

The 1930's would have perhaps produced the first crisis had it not been for the Great Depression.

The current crisis is being solved by:

Recession in some economies

Depression in others.

*Just like the one that didn't happen in the
1930's*

The drop in oil prices is even solving the security issue:

Russian, Iranian, and Venezuelan Oil Revenues in November will be half what they were in July.

The leaders of these countries will have to refocus on internal unrest rather than creating mischief abroad.

The current crisis is over.

*Do we as a nation have the
discipline to stay the course on
seeking alternatives to oil?*

More importantly, should we?

Final Thought:

There is only a fuels (energy) crisis if you are willing to live in society's arbitrary boxes.



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under the title

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